

SUBCOMMITTEE NO. 2

Agenda

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Room 112

Agenda Part II

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Resources—Environmental Protection—Energy

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0540 Secretary for Resources

1. River Parkways Program

Governor's Budget. The Governor's Budget proposes to allocate an additional \$30.9 million in the budget year from Propositions 40 and 50 resources bonds to fund the River Parkways Program. This leaves approximately \$20 million in Proposition 50 bond funds for River Parkways available for appropriation in future years.

Previous Subcommittee Direction. At the March 6 hearing of the Subcommittee, this issue was held open so staff could gather additional information on how this grant program is being implemented. Staff finds no issues related to the implementation of the grant program.

Staff Recommendation. Staff recommends that the Subcommittee approve the River Parkways grant funds.

2. Sierra Nevada Cascade Grant Program

Governor's Budget. The Governor proposes to allocate \$11.7 million in the budget year from Proposition 50 resources bonds to fund the Sierra Nevada Cascade Conservation Grant Program. This leaves no remaining bond funds for this grant program available for appropriation in future years.

Previous Subcommittee Direction. At the March 6 hearing of the Subcommittee, this issue was held open pending the release of final grant guidelines by the Office of the Resources Secretary. These guidelines have been received and staff finds no other issues with this budget proposal.

Coordination with Sierra Nevada Conservancy. The 2005 Budget Act required the Secretary for Resources, in consultation with the Sierra Nevada Conservancy, to submit a plan for the coordination of grant programs in the Sierra Nevada region. The plan that was submitted outlines the following activities to ensure coordination:

- Grant applications within the boundary of the Sierra Nevada Conservancy shall justify the proposals in terms of furthering the mission and goals of the Conservancy.
- The Conservancy will provide a representative to participate on the technical review committee which will evaluate and score the proposals.

Staff finds that moving grant funds to the Conservancy would further delay the allocation of these funds in a timely manner.

Staff Recommendation. Staff recommends that the Subcommittee approve the funding for the Sierra Nevada Cascade Grant Program.

3110 Tahoe Regional Planning Agency

1. Permit Tracking System

Finance Letter. The Finance Letter (dated March 30, 2006) from the Governor, requests a \$572,000 one-time augmentation from the Environmental License Plate Fund to replace the Agency's antiquated permit tracking system. The State of Nevada will provide \$286,000 to share in the funding support for this system. The budget proposal also indicates that \$70,776 is needed for ongoing maintenance and operation of the system starting in 2007-08. The budget proposal indicates that \$36,000 in additional funding is needed to meet California's share of ongoing maintenance and operations starting in 2007-08.

Previous Subcommittee Direction. At the April 24 hearing of the Subcommittee, this issue was held open and the Subcommittee requested an approved feasibility study report (FSR) for this project.

Approved FSR Received. The agency and the Department of Finance have submitted an approved FSR to subcommittee staff. The total one-time costs associated with implementing the permit tracking system are \$957,375, funded from the following sources:

- \$572,000 from California.
- \$286,000 from Nevada.
- \$99,375 from redirecting existing resources.

Justification. The Agency recently commissioned an agency-wide operational audit. One of the key recommendations from the audit was to replace the Agency's permit tracking system. The current system does not allow for tracking land use and environmental threshold requirement data, which reduces the effectiveness of the permitting process in meeting the environmental standards. Furthermore, the current system is essentially a paper based system that greatly reduces the efficiency of staff in processing permits and providing public access to documents. Staff finds that the new permitting system will enable TRPA to more effectively and efficiently perform its land use permitting functions.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter.
- Approve budget bill language that identifies \$536,000 in item 3110-101-0140 as a one-time expenditure.

3340 California Conservation Corps

1. Capital Outlay

Governor's Budget. The Governor's Budget includes \$927,000 from General Fund monies for capital outlay projects on California Conservation Corps properties.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes the following amendments to the Corps' capital outlay budget:

- **Tahoe Base Center Relocation.** The Finance Letter proposes \$26.2 million from lease revenue bonds to acquire and establish a new residential facility in the Tahoe Basin. The 2003 Budget Act allocated \$19.6 million from lease revenue bonds for this project. However, in 2004, the Corps determined that it needed a major scope change because of the lack of available land in the Tahoe Basin. Therefore, \$19.1 million of the 2003 appropriation remains and is proposed for reversion so that it can be reappropriated in the budget year. Furthermore, the revised project is estimated to cost \$7.1 million due to increases in site acquisition costs and construction costs. The new project would convert two adjacent parcels that include an existing residential building, unoccupied retail space, and an old California Highway Patrol facility into a new residential center for the Corps. The Corps does a significant amount of reimbursed work in the Tahoe Basin, including fuel reduction work.
- **Placer Center Water and Wastewater Upgrades.** The Finance Letter proposes to reduce, by \$35,000 in General Fund monies, the January budget proposal to connect the Placer Center to the new public sewage treatment system and local municipal water district based on revised estimates of the project costs. This will leave \$744,000 from General Fund monies for this request.
- **Reappropriations.** The Finance Letter proposes to reappropriate \$34.2 million in lease revenue bonds for construction costs associated with the Delta Service District Residential Center and Camarillo Residential Satellite Relocation projects that were appropriated in 2005. These project have been delayed due to design changes to make them LEED (Leadership in Energy and Environmental Design) certified buildings.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, the budget proposals for capital outlay were approved.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

2. Bond Funds

Governor's Budget. The Governor's Budget includes the following bond proposals:

- **State Projects.** The budget proposes expenditure of \$1.4 million from bond funds for resource conservation projects by the Corps (\$1.4 million from Proposition 40 and \$13,000 from Proposition 12).

- **Local Projects.** The budget proposes expenditure of \$510,000 from bond funds to support local conservation corps projects (\$72,000 from Proposition 40 and \$438,000 from Proposition 12).

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to revert \$237,000 in unused Proposition 40 bond funds. The reverted funds are proposed to be reappropriated to support the state Corps programs (\$55,590), grants to local conservation corps (\$106,439), and state support for the local conservation corps grant program (\$34,477).

Justification. These funds are proposed to fund activities consistent with the original intent of the bond.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3360 California Energy Commission

1. Transportation Energy Planning Model

Finance Letter. A Finance Letter (dated March 30, 2006) requests \$874,000 from the Energy Resources Programs Account to fund two permanent positions and \$665,000 in contract funds to develop and maintain a dynamic simulation model of the California transportation energy market. The model will incorporate all components of the transportation sector, including transit, freight, and aviation. It will provide for automated updating of data and a central data depository, along with dynamic analysis and risk analysis capabilities.

Workload Justification. The commission indicates that it needs to update its current transportation energy models because they are fragmented and uncoordinated, and in some cases do not use the most recent data. Furthermore, the new modeling capability will enable the department to evaluate the impacts of high fuel prices and develop strategies to mitigate these impacts. The model will be developed under an external consulting contract. However, the proposal requests two positions to help guide the development of the model and to test and support the model.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3540 Department of Forestry and Fire Protection

1. Capital Outlay

Governor's Budget. The Governor's budget proposes to double the department's capital outlay staff from 15 positions to 30 positions, over a two-year period, in order to allow CDF to manage an additional six to eight capital outlay projects annually out of 45 projects on an ongoing basis. The budget also includes budget bill language that allows the department to conduct any real estate design and project management activities associated with its capital outlay projects.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes \$23.7 million for capital outlay projects to upgrade the state's fire protection infrastructure, including \$5.8 million from the General Fund and \$17.9 million from lease revenue bonds. The proposed projects are as follows:

- **Expand Fire Academy.** The Finance Letter requests an additional \$3.4 million from lease revenue bonds for preliminary plans, working drawings and to construct an additional 80 person dormitory and expand the existing mess hall. The Governor's January budget includes \$6.7 million from lease revenue bonds for this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Alma Helitack Base (HB).** The Finance Letter requests an additional \$929,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The 2005 Budget Act provided \$6.5 million in lease revenue bonds for this project. Increases are due to general price escalations in the construction market.
- **Replace Altaville Forest Fire Station (FFS).** The Finance Letter requests \$997,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The 2005 Budget Act provided \$3.8 million in lease revenue bonds for this project. Increases are due to general price escalations in the construction market and additional site work needed for utilities and abatement of hazardous materials.
- **Relocate Batterson FFS.** The Finance Letter requests \$10,000 from General Fund monies for preliminary plans to relocate this facility. The Governor's January budget includes \$259,000 from General Fund monies to relocate this facility to a more strategic location on U.S. Forest Service land. Increases are due to general price escalations in the construction market.
- **Remodel Bautista Conservation Camp (CC).** The Finance Letter requests \$1.7 million for working drawings and construction of this project. The 2005 Budget Act provided \$4.8 million for preliminary plans, working drawings and construction of this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Water System at Bear Valley FFS and HB.** The Finance Letter proposes to delete \$417,000 in General Fund monies included in the Governor's January budget for preliminary plans to replace the water system at the base. This project has been delayed and these funds are not needed in the budget year.

- **Replace Cuyamaca FFS.** The Finance Letter proposes \$937,000 from lease revenue bonds to construct this project. The 2004 Budget Act provided \$3.3 million in lease revenue bonds for preliminary plans, working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Dew Drop FFS.** The Finance Letter proposes \$219,000 from lease revenue bonds for construction of this project. The 2005 Budget Act provided \$2.5 million for acquisition and construction of this project. Increases are due to general price escalations in the construction market and additional CEQA documentation needed that was not anticipated.
- **Relocate Elk Camp FFS.** The Finance Letter proposes \$228,000 from lease revenue bonds for construction of this project. The 2005 Budget Act provided \$2.8 million for working drawings and construction of this project. Increases are due to general price escalations in the construction market and a required permit for widening Highway 1 near the new facility.
- **Replace Buildings at Intermountain CC.** The Finance Letter proposes \$2.1 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. The Governor's January budget includes \$13.7 million from lease revenue bonds for this project. Increases are due to site reconfiguration design and construction elements, as well as general price escalations in the construction market.
- **Replace Auto Shop at Mendocino Ranger Unit Headquarters (RUH).** The Finance Letter proposes \$253,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act provided \$3.3 million for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Miramonte CC.** The Finance Letter proposes \$310,000 from lease revenue bonds for preliminary plans, working drawings and to construct this project. The Governor's January budget includes \$41.5 million from lease revenue bonds for this project. Increases are due to general price escalations in the construction market.
- **Replace Nipomo FFS.** The Finance Letter proposes \$3 million in General Fund monies for working drawings and construction of this project. The Finance Letter also proposes to revert \$2.9 million in lease revenue bonds provided for this project in the 2005 Budget Act. The department indicates that lease revenue bond financing is no longer a viable option because the property owners are not willing to sell the site or renegotiate lease terms to satisfy lease revenue bond requirements. The department proposes to delete \$249,000 for acquisition, but project costs are projected to be more than last year due to general price escalations in the construction market.
- **Replace Pacheco FFS.** The Finance Letter proposes \$228,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated \$2.5 million from lease revenue bonds for acquisition and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace San Luis Obispo RUH.** The Finance Letter proposes \$924,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated \$10.3 million from lease revenue bonds for construction of this project. Increases are due to delays in negotiations with California State University over the transfer of this property and general price escalations in the construction market.

- **Relocate San Marcos FFS.** The Finance Letter proposes \$261,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated \$2.9 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Auto Shop at Santa Clara RUH.** The Finance Letter proposes \$322,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated \$2.7 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Stevens Creek FFS.** The Finance Letter proposes \$237,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated \$2.5 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Twain Harte FFS.** The Finance Letter proposes \$407,000 from lease revenue bonds for construction of this project. The 2005 Budget Act allocated \$3.8 million from lease revenue bonds for preliminary plans, working drawings and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Usona FFS.** The Finance Letter proposes \$954,000 from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated \$2.3 million in lease revenue bonds for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Construct Shop at Ventura Youth Conservation Camp.** The Finance Letter proposes \$203,000 from lease revenue bonds to construct this project. The 2005 Budget Act allocated \$2.7 million in lease revenue bonds for working drawings and construction of this project. Increases are due to general price escalations in the construction market.
- **Replace Warner Springs FFS.** The Finance Letter proposes \$1 million from lease revenue bonds for working drawings and to construct this project. The 2005 Budget Act allocated \$3.6 million for acquisition, preliminary plans, working drawings, and to construct this project. Increases are due to general price escalations in the construction market.
- **Replace Weaverville FFS.** The Finance Letter proposes \$2.4 million from lease revenue bonds for working drawings and construction of this project. The 2004 Budget Act allocated \$581,000 from lease revenue bonds for construction of this project. Increases are due to general price escalations in the construction market. In addition, since this project was started in 1998, additional construction funding was required to add a generator, which is consistent with current design standards.
- **Replace Communications Facilities – Phase III.** The Finance Letter proposes \$3.1 million from General Fund monies for working drawings and construction of this project. The Governor's January budget proposal includes \$13.1 million from General Fund monies to support this project. Increases are due to general price escalations in the construction market and reflect actual bids received for other similar capital outlay projects.
- **Replace Communications Facilities – Phase IV.** The Finance Letter proposes \$208,000 from General Fund monies for preliminary plans and working drawings for this project. The Governor's January budget proposal includes \$1.6 million from General Fund monies to support this project. Increases are due to general price escalations in the

construction market and reflect actual bids received for other similar capital outlay projects.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, \$138 million was approved for capital outlay projects to upgrade the state's fire protection infrastructure. The Subcommittee also held open the Governor's proposal to increase the department's staffing to manage, in-house, six to eight additional capital outlay projects annually. The Subcommittee requested that CDF provide additional information on its history of managing capital outlay projects and what it has done to address project delays caused by switching to lease revenue bond financing, project scope changes, and environmental studies.

Department Response. The department indicates that, since 1993, it has managed 148 projects and only 11 of these projects (7 percent of projects) were delayed. Staff finds that projects managed by the Department of General Services (DGS) were delayed far more often.

The department also indicates that it has taken steps to address the cause of project delays including the following:

- Establish criteria and screen projects early on to determine whether they are eligible for financing with lease revenue bonds.
- Standardize fire station projects.
- Initiate monthly meetings with DGS and DOF to address projects that are delayed.

The department indicates that DGS will continue to handle larger capital outlay projects such as unit headquarters, conservation camps, and emergency command centers, but the department will handle the fire station facility workload. These facilities are specialized and were designed by CDF. Furthermore, CDF has routinely constructed these facilities in the past, however, because of the escalating costs of construction many of these projects are no longer categorized as minor capital outlay projects and were, therefore, required to be managed by DGS. Furthermore, many of these stations are located in remote areas of the state and require local staff expertise in order that projects may be constructed in a timely manner.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal to double CDF's capital outlay staff.
- Approve the capital outlay Finance Letter.

3790 Department of Parks and Recreation

1. Remediation of Empire Mine

Governor's Budget. The Governor's Budget proposes \$5 million in General Fund monies for contamination remediation measures at the Empire Mine State Historic Park.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, this issue was held open pending more detailed information on the department's plans for expending these funds to clean up the pollution caused by the Empire Mine.

Department Response. The department has provided additional information to the Subcommittee on how it will spend the \$5 million proposed for remediation of the Empire Mine. The department plans to allocate the funds for the following activities:

- \$1 million to initiate a site characterization study required by the Department of Toxic Substance Control under CERCLA (the Superfund law) that will culminate with a Remediation Action Plan;
- \$600,000 to cover attorney fees and state regulatory agency reimbursements;
- \$400,000 to acquire equipment, materials, fencing, and signage to protect the public; and
- \$3 million for additional contracts to: initiate best management practices for immediate remediation efforts, initiate the CEQA process and other permit processes for long-term solutions, initiate installation of remediation measures, and secure project management and technical expertise.

The department also indicates that it is currently evaluating a wide menu of possible remediation efforts to reduce pollution from the site. The department is evaluating best management practices to reduce pollution from stormwater and drainage in the Magenta Drain. Options to control contaminated stormwater include:

- Redirection of drainage to a treatment facility;
- Installation of fencing, a barrier, and re-vegetation of a drainage area;
- Removal and treatment of soil;
- Construction of an engineered contaminant cap and use as a parking lot; and
- Lime/inert gas treatments to neutralize acidity.

Options to control polluted drainage waters from the Magenta Drain include:

- Installation of a treatment plant;
- Vacuuming the stream;
- Installation of a shaft plug;
- Construction of a sediment basin; and
- Testing a drawdown of subterranean water levels as a means of eliminating source contaminants.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

2. Concession and Operating Agreement Proposals

Governor's Budget. The budget proposal includes five operating agreements that require legislative approval. These operating agreements include:

- Woodland Opera House;
- Folsom Lake Natoma Aquatic Center;
- Stone Lake Property;
- Lighthouse Field State Beach; and
- Lucadra and Moonlight State Beaches.

The budget proposal includes five concession proposals that require legislative approval. These concession agreements include:

- **Hollister Hills State Vehicular Area.** Proposal to operate a park store for ten years with details to be determined.
- **Old Town San Diego State Park.** Proposal to operate food and other retail for up to ten years with the state receiving \$5,000 or 8 percent of sales at a minimum capital investment of \$100,000.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, the following concession proposals were held open pending receipt of feasibility study reports or approval by the Parks and Recreation Commission:

- **Millerton Lake State Recreation Area.** Proposal to operate a marina for up to 30 years with a minimum capital investment of \$2 million and the state to receive an undetermined amount.
- **Asilomar State Beach.** Proposal to operate lodging with details to be determined.
- **Pismo State Beach.** Proposal to operate lodging and a restaurant with a minimum capital investment of \$14 to \$17 million and the state to receive an undetermined amount.

Update. The department has completed the feasibility study reports for the Millerton Lake State Recreation Area and Asilomar State Beach and the LAO recommends approving these concession proposals. Furthermore, the department indicates that the Pismo State Beach concession proposal is slated to be heard at the May 8 meeting of the Parks and Recreation Commission and that the proposal currently has no opposition.

Staff Recommendation. Staff recommends that the Subcommittee approve the following concession proposals:

- Millerton Lake State Recreation Area;
- Asilomar State Beach; and
- Pismo State Beach.

Regional Conservancies

3810 Santa Monica Mountains Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee approved \$9.2 million to support the Santa Monica Mountains Conservancy (SMMC) for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Governor's budget:

- Increase in expenditure authority from the Santa Monica Mountains Conservancy Fund of \$47,000 due to an increase in anticipated donation funds.
- Delete budget bill language that requires SMMC to issue grants from the Santa Monica Mountains Conservancy Fund in accordance with general obligation bond law in order to fund non-capital outlay projects.
- Add budget bill language that requires SMMC to report annually to DOF on donations received by September 1 of each year.

Justification. This budget proposal will allow the Conservancy to expend additional donation funds anticipated in the budget year from the Santa Monica Mountains Conservancy Fund. The proposal also gives the SMMC the flexibility to fund non-capital outlay projects and provides DOF with additional information on projected grant funds for incorporation into the annual budget proposal.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3830 San Joaquin River Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee approved \$434,000 to support the San Joaquin River Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Wildlife Conservation Board's budget to fund the San Joaquin River Conservancy:

- Add budget bill language to reappropriate \$8.4 million in Proposition 40 bond funds to support land acquisitions and public access and recreation improvement projects. Proposition 40 provided \$25 million for this purpose.

Justification. The board indicates that delays have occurred in allocating the funding because of the need to address issues related to potential land acquisitions, including existing gravel mining operations and potential environmental liabilities.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3835 Baldwin Hills Conservancy

Previous Subcommittee Action. On March 6, 2006, the Subcommittee took action to approve \$415,000 to support the Baldwin Hills Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Baldwin Hills Conservancy's budget:

- Add a budget item to reappropriate \$6.9 million in Proposition 40 bond funds to fund land acquisitions and public access projects. Proposition 40 provided \$40 million for this purpose.

Justification. Approximately two-thirds of the available land in the Conservancy area is severely degraded by oil production. This has increased the complexity of land acquisitions and has required analysis related to mineral titles and environmental liabilities.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3850 Coachella Valley Mountains Conservancy

Previous Subcommittee Action. On March 6, 2006 the Subcommittee took action to approve \$272,000 to support the Coachella Valley Mountains Conservancy.

Finance Letter. A Finance Letter (dated March 30, 2006) requests the following amendments to the Coachella Valley Mountains Conservancy's budget:

- Add a budget bill item to revert \$103,000 in Proposition 40 bond funds approved for state operations in 2004.
- Add a budget bill item to provide an additional \$211,000 in Proposition 40 bond funds for capital outlay projects, including the \$103,000 proposed for reversion and \$108,000 in remaining unallocated bond funding.
- Add a budget bill item to reappropriate \$577,000 in Proposition 40 bond funds allocated in the 2002 Budget Act for capital outlay projects.

Justification. The Conservancy indicates that the funds proposed for reappropriation are available through abatements with non-profit organizations. Abatements occur when a non-profit organization purchases property with a grant from the Conservancy and the non-profit then sells the property to the federal government. After the sale to the federal government, the non-profit returns the grant funds to the Conservancy for additional grants or purchases. The Conservancy anticipates several abatements resulting in additional Proposition 40 bond funds available to be reappropriated.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3855 Sierra Nevada Conservancy

1. Sierra Nevada Conservancy Start Up

Governor's Budget. The Governor's budget proposes \$3.7 million from the Environmental License Plate Fund to support the Sierra Nevada Conservancy. This proposal does not reflect a reduction to the account for one-time expenditures that were included in the 2005-06 budget.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, this issue was held open pending receipt of a supplemental report required by the Legislature on the total expenditure requirements of the Conservancy for 2006-07.

Finance Letter. A Finance Letter (dated March 30, 2006) was submitted requesting the Legislature to reappropriate \$276,000 from the Environmental License Plate Fund to fund additional one-time startup costs for the Conservancy. The expenditure of these funds was delayed due to a lag in the startup of the Conservancy's operations.

Report Submitted. As of February 28, 2006, the Conservancy had only expended \$175,000 of the \$3.6 million provided in the 2005 Budget Act. The report indicates that this is due to delays in hiring an Executive Director and locating office headquarters. However, the Conservancy estimates that it will expend approximately \$2.8 million by the end of 2005-06. This will result in \$800,000 in savings in the current year that will revert to the Environmental License Plate Fund.

The report also identifies \$500,000 in one-time expenditures in 2005 Budget Act. The report indicates that the Conservancy will not expend all of these one-time funds in 2005-06 and proposes to reappropriate a portion of these funds. Furthermore, the Governor's 2006-07 budget proposal does not include an adjustment for these one-time funds. The LAO finds that, because of the delays in startup of the conservancy, it is still not certain what the ongoing versus onetime costs are for the conservancy. The LAO recommends adopting supplemental report language to determine a realistic budget for the conservancy by January 1, 2008.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve the Finance Letter to reappropriate \$276,000 in ELPF.
- Approve the supplemental report language recommended by the LAO.

7300 **Agricultural Labor Relations Board**

1. Technical Budget Adjustment

Governor's Budget. The Governor's budget proposes to eliminate five vacant positions and transfer \$245,000 in General Fund monies from salary savings to the operating expense and equipment portion of the budget.

Justification. The board indicates that it currently does not have sufficient funding to cover its operating expenses and equipment expenditures and over the past three years has been using salary savings to help fund its operating expenses and equipment expenditures. The budget proposal makes a technical adjustment to properly reflect the board's current operating expenses and equipment budget. The bulk of the board's operating expenses and equipment expenditures are on facility operations, but these funds also support contracts for court reporters and information technology critical to the board's operations.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

8660 California Public Utilities Commission (CPUC)

1. High Cost Fund-A Program

Background. The CPUC currently administers five universal service telephone programs that seek to expand access to basic telephone services by subsidizing the cost of service for certain people (such as low-income persons and persons living in remote areas) through surcharges on all telephone users' monthly bills. These programs include the High Cost Fund-A program that subsidizes basic telephone service provided by 17 small local telephone companies servicing high-cost, predominantly rural areas in the state.

Finance Letter. A Finance Letter (dated March 30, 2006) requests expenditure of \$14.3 million in additional funding from the High Cost Fund-A Administrative Committee Fund to pay additional carrier claims. The Governor's budget proposes \$44.5 million in expenditures from this fund. This amendment increases 2006-07 claims to small local telephone companies by over 30 percent.

Justification. The Commission indicates that claims to the High Cost Fund-A Administrative Committee Fund are projected to increase in the budget year due to the following issues:

- New inter-carrier compensation rules by the Federal Communications Commission.
- Recently approved general rate cases for Siskiyou Telephone Company and Foresthill Telephone Company.

Staff Recommendation. Staff recommends that the Subcommittee approve this Finance Letter request.

2. Workstation Makeover

Governor's Budget. The Governor's budget proposes \$2.4 million in 2006-07 to be followed with an additional request for \$2.4 million in 2007-08 from special funds to replace the CPUC's modular workstations, which are 20 years old.

Justification. The CPUC indicates that the current workstations lack sufficient power and data/communications receptacles, which requires overdependence on extension cords and multi-plug adaptors. These practices are in violation of requirements by the State Fire Marshall. Furthermore, the replacement will address concerns related to ergonomics and the Americans with Disabilities Act. The replacement will also promote energy efficiency and provide a more functional office environment.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget proposal.
- Approve budget bill language indicating that \$2.4 million is a limited-term 2-year augmentation that will terminate at the end of 2007-08.

3. Infrastructure Improvements and Repairs

Governor's Budget. The Governor's budget requests one-time funding of \$1,122,000 from special funds for a variety of maintenance repairs and energy efficiency improvements at the CPUC's San Francisco headquarters. The request includes \$500,000 to relocate the building's childcare center from the basement to the first floor of the building.

Justification. The design of the current childcare facility is making it difficult to comply with current licensing requirements. The location exposes children to exhaust fumes from the garage, human waste and other debris that collects daily in a stairwell, flooding, recurring rodent infestations, and repeated grease overflows from the kitchen located above the facility. Furthermore, many of the other maintenance items are required to maintain health and safety of employees working in the building.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget proposal.

4. Telecommunications Consumer Protection

Background. On March 2, 2006, the CPUC adopted a decision in the six year-old proceeding on the Telecommunications Consumer Bill of Rights. In this decision, the Commission did not take a traditional command and control regulatory approach, but instead focused the decision on providing better consumer information. The Commission indicates that this approach was preferred because a traditional regulatory approach would not address the considerable variation among technologies and business models employed by telecommunications companies and could stifle innovation. This decision launched a new consumer protection program at the CPUC to identify and stop fraud and anti-competitive behavior by implementing new rules and focusing on enforcement and education efforts. The decision directs CPUC staff to undertake 23 initiatives to accomplish the following:

- Enhance enforcement and fraud prevention;
- Enhance consumer complaint resolution; and
- Initiate consumer education efforts in multiple languages.

Governor's Budget and Finance Letter. The Governor's budget and a Finance Letter (dated April 21, 2006) request \$12.8 million from ratepayer funds for initial costs associated with implementing the CPUC's recent decision to implement the Telecommunications Consumer Bill of Rights. The Commission indicates that \$4.6 million are one-time costs associated with startup of the new program. The commission proposes to allocate budget expenditures to support the following:

- **Consumer Education Campaign.** The budget proposal includes \$7.1 million (\$4.1 million one-time) to create a consumer education campaign in seven different languages.
- **Database Improvements.** The budget proposal includes \$1.7 million (\$1.2 million one-time) to upgrade the commission's database to better track consumer inquiries and complaints.
- **Staff Training.** The budget proposal includes \$650,000 (one-time) for training of enforcement staff and complaint resolution staff.

- **Attorney General/District Attorney.** The budget proposal includes \$300,000 to assist in developing actions against fraudulent activities that the Attorney General or local district attorney will pursue in court.
- **Program Evaluation.** The budget proposal includes \$500,000 (\$400,000 one-time) for independent review of the effectiveness of the education program.
- **Community Outreach.** Starting in 2006-07, the commission proposes to allocate \$3 million annually to community-based organizations to assist in intake, education and community outreach for difficult-to-reach-communities.
- **Staff Support.** The budget proposal includes \$2 million to support 29.5 positions to implement the program. Positions requested include 13 bilingual consumer affairs representatives and 7.5 additional analysts for its telecommunications consumer fraud unit.
- **Other.** The budget proposes \$550,000 (\$194,000 one-time) for other equipment and expenses, including providing enforcement staff access to Lexis/Nexis to assist in enforcement research.

Workload Justification. The program created by the March 2, 2006 decision is a new program that could not be implemented without additional staffing. The decision requires a new model of enforcement that the current enforcement group in the commission's Consumer Protection and Safety Division cannot effectively implement without additional staff. The new model requires collaboration and communication with other enforcement agencies such as the Attorney General. The commission proposes 8.5 new positions to increase enforcement. The commission currently has 12 positions in the enforcement group.

The Consumer Service and Information Division is responsible for implementing consumer education and outreach, the complaint resolution process, and the foreign language requirements of the new program. These program elements cannot be accomplished with existing staff. The decision requires the Consumer Affairs Branch to double the number of customer phone service hours from five hours/day to 10 hours/day and requires that Consumer Affairs Representatives have multiple language capabilities. The commission proposes 19 new positions to increase its customer contact by 60 percent. Furthermore, increased funding is needed to improve the current database systems used by the Consumer Affairs Branch to enter complaints. This data is critical for the enforcement branch to be able to identify trends that can be investigated.

The commission's decision was centered on education. The commission currently has very few resources dedicated to informing consumers of their rights related to telecommunications. Therefore, additional funding is needed to carry out the CPUC's decision.

Staff Comments. Staff finds that there continues to be considerable disagreement with the approach taken by the Commission on this issue. Many find that the commission should have required more of the telecommunications companies. For example, the commission could have enacted new rules to change billing formats to make them more understandable and require that bills be in languages consistent with the solicitation offering the service.

However, regardless of the policy differences about the approach taken by the commission on this issue, staff finds that the commission's budget proposal should enable it to implement the

commission's order. Staff finds that continual evaluation and adaptive management is needed since this is a new regulatory approach for the commission.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the budget request.
- Request that staff work with the department, LAO, and DOF to develop a reporting requirement to update the Legislature on the performance of this program in two years.